

Disclosure of European Embedded Value (summary) as of September 30, 2014

This is the summarized translation of the European Embedded Value (“EEV”) of Sumitomo Life Insurance Company (hereinafter “Sumitomo Life”) and Medicare Life Insurance Co. (hereinafter “Medicare Life”) (collectively, the “Group”) as of September 30, 2014.

Sumitomo Life and Medicare Life have adopted EEV Principles and related guidance issued by the European CFO Forum, while also taking into account a market-consistent approach, in calculating its Embedded Value.

As a mutual life insurance company, Sumitomo Life regarded the surplus after policyholder dividends as the value attributable to the company in calculating its EEV. Also, foundation funds, classified as net assets in the statutory financial report, were classified as liabilities in the calculation of EEV.

1. EEV Results

a. EEV Results of the Group

(1) EEV Results

(billions of yen)

	March 31, 2014	September 30, 2014	increase (decrease)
EEV	3,146.6	3,367.1	220.4
Adjusted net worth	2,273.9	2,664.5	390.5
Value of in-force business	872.6	702.5	(170.1)

(billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	increase (decrease)	Year ended March 31, 2014
Value of new business	96.3	74.4	(21.9)	166.4

(Note1) The EEV of the Group is calculated as follows: Sumitomo Life's EEV plus Medicare Life's EEV attributable to Sumitomo Life's equity stake in Medicare Life less Sumitomo Life's carrying amount of equity of Medicare Life.

(Note2) Sumitomo Life held 90.9% and 100% of the shares of Medicare Life as of March 31, 2014 and as of September 30, 2014, respectively.

(Note3) Sumitomo Life's carrying amount of Medicare Life's equity was ¥50.0 billion as of March 31, 2014 and ¥55.0 billion as of September 30, 2014.

(Note4) When Group's value of new business is calculated, the value includes Medicare Life's value which is in proportion to Sumitomo Life's shareholding in Medicare Life.

(2) Adjusted Net Worth

(billions of yen)

	March 31, 2014	September 30, 2014	Increase (Decrease)
Adjusted net worth	2,273.9	2,664.5	390.5
Total net assets on the balance sheets(Note1)	648.8	652.8	3.9
Retained earnings in liabilities (after tax)	370.5	393.9	23.3
Unrealized gains (losses) on securities and miscellaneous items (after tax)	1,280.3	1,632.5	352.2
Unrealized gains (losses) on loans (after tax)	83.3	83.0	(0.3)
Unrealized gains (losses) on real estate (after tax)	(41.1)	(37.9)	3.2
Unrealized gains (losses) on liabilities (after tax)	(11.2)	(10.9)	0.2
Unfunded retirement benefit obligation (after tax)	(2.6)	6.0	8.7
Consolidation adjustment regarding Medicare Life(Note2)	(50.0)	(55.0)	(5.0)
Minority interest in Medicare Life's adjusted net worth	(4.1)	0.0	4.1

(Note1) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

(Note2) Deduction consists of the carrying amount of the equity of Medicare Life held by Sumitomo Life, which is recorded under "Total net assets on the balance sheet" in the table above.

(3) Reconciliation of total net assets to adjusted net worth

(billions of yen)

	March 31, 2014	September 30, 2014	Increase (Decrease)
Total net assets on the consolidated balance sheets (Note)	592.5	591.9	(0.5)
<i>PLUS</i> Retained earnings in liabilities (after tax)	370.5	393.9	23.3
<i>PLUS</i> Unrealized gains (losses) (after tax)	1,314.9	1,678.6	363.6
<i>PLUS</i> Minority interest in Medicare Life's adjusted net worth	(4.1)	0.0	4.1
<i>LESS</i> Book value of businesses not covered	-	-	-
Adjusted net worth	2,273.9	2,664.5	390.5

(Note) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

(4) Value of In-force Business (VIF)

(billions of yen)

	March 31, 2014	September 30, 2014	Increase (Decrease)
Value of in-force business	872.6	702.5	(170.1)
Certainty equivalent present value of future profits	1,250.7	1,086.9	(163.7)
Time value of financial options and guarantees	(119.2)	(114.7)	4.5
Cost of holding required capital	(59.5)	(63.7)	(4.2)
Cost of non-hedgeable risks	(199.2)	(205.9)	(6.6)

(5) Value of New Business

(billions of yen)

	Six months ended September 30,2013	Six months ended September 30,2014	Increase (Decrease)	Year ended March 31,2014
Value of new business	96.3	74.4	(21.9)	166.4
Certainty equivalent present value of future profits	106.7	86.6	(20.0)	188.1
Time value of financial options and guarantees	(1.6)	(3.9)	(2.2)	(5.0)
Cost of holding required capital	(1.8)	(1.7)	0.1	(3.3)
Cost of non-hedgeable risks	(6.8)	(6.5)	0.2	(13.2)

(Note) When Group's value of new business is calculated, the value includes Medicare Life's value which is in proportion to Sumitomo Life's shareholding in Medicare Life. (90.9% as of September 30, 2013 and March 31, 2014, and 100% as of September 30, 2014).

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Six months ended September 30,2013	Six months ended September 30,2014	Increase (Decrease)	Year ended March 31,2014
Value of new business (a)	96.3	74.4	(21.9)	166.4
Present value of premium income (b) (Note)	901.2	992.3	91.1	1,847.3
New business Margin (a) ÷ (b)	10.7 %	7.5 %	▲3.2pt.	9.0%

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

b. EEV Results by company

(1) Sumitomo Life

(billions of yen)

	March 31, 2014	September 30, 2014	Increase (Decrease)
EEV(Note1)	3,119.8	3,334.1	214.2
Adjusted net worth	2,282.4	2,674.8	392.3
Total net assets on the balance sheets(Note2)	609.4	616.5	7.1
Retained earnings in liabilities (after tax)	370.0	393.2	23.2
Unrealized gains (losses) on securities and miscellaneous items (after tax)	1,274.6	1,624.7	350.0
Unrealized gains (losses) on loans (after tax)	83.3	83.0	(0.3)
Unrealized gains (losses) on real estate (after tax)	(41.1)	(37.9)	3.2
Unrealized gains (losses) on liabilities (after tax)	(11.2)	(10.9)	0.2
Unfunded retirement benefit obligation (after tax)	(2.6)	6.0	8.7
Value of in-force business	837.3	659.3	(178.0)
Certainty equivalent present value of future profits	1,206.9	1,032.5	(174.4)
Time value of financial options and guarantees	(118.7)	(114.2)	4.4
Cost of holding required capital	(59.1)	(63.4)	(4.2)
Cost of non-hedgeable risks	(191.7)	(195.5)	(3.8)

(billions of yen)

	Six months ended September 30,2013	Six months ended September 30,2014	Increase (Decrease)	Year ended March 31,2014
Value of new business	90.9	70.5	(20.4)	157.3
Certainty equivalent present value of future profits	99.7	81.2	(18.4)	176.2
Time value of financial options and guarantees	(1.6)	(3.9)	(2.2)	(4.9)
Cost of holding required capital	(1.7)	(1.6)	0.1	(3.2)
Cost of non-hedgeable risks	(5.3)	(5.1)	0.2	(10.6)

(Note1) The shares of Medicare Life held by Sumitomo Life are valued on a book value basis for purposes of calculating the embedded value of Sumitomo Life on a stand-alone basis. For purposes of calculating the embedded value of the Group, consolidation adjustments are required.

(Note2) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Six months ended September 30,2013	Six months ended September 30,2014	Increase (Decrease)	Year ended March 31,2014
Value of new business (a)	90.9	70.5	(20.4)	157.3
Present value of premium income (b) (Note)	865.6	958.8	93.2	1,781.6
New business Margin (a) ÷ (b)	10.5 %	7.4 %	▲3.2pt.	8.8%

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

(2) Medicare Life

(billions of yen)

	March 31, 2014	September 30, 2014	Increase (Decrease)
EEV(Note1)	84.5	87.9	3.4
Adjusted net worth	45.6	44.7	(0.8)
Total net assets on the balance sheets(Note2)	39.4	36.2	(3.1)
Retained earnings in liabilities (after tax)	0.5	0.6	0.1
Unrealized gains (losses) on securities and miscellaneous items (after tax)	5.6	7.8	2.1
Unrealized gains (losses) on loans (after tax)	-	-	-
Unrealized gains (losses) on real estate (after tax)	-	-	-
Unrealized gains (losses) on liabilities (after tax)	-	-	-
Unfunded retirement benefit obligation (after tax)	-	-	-
Value of in-force business	38.8	43.2	4.3
Certainty equivalent present value of future profits	48.1	54.4	6.2
Time value of financial options and guarantees	(0.6)	(0.4)	0.1
Cost of holding required capital	(0.3)	(0.3)	0.0
Cost of non-hedgeable risks	(8.2)	(10.3)	(2.0)

(billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Year ended March 31, 2014
Value of new business(Note3)	5.9	3.8	(2.0)	9.9
Certainty equivalent present value of future profits	7.6	5.3	(2.2)	13.0
Time value of financial options and guarantees	(0.0)	(0.0)	0.0	(0.0)
Cost of holding required capital	(0.0)	(0.0)	0.0	(0.1)
Cost of non-hedgeable risks	(1.6)	(1.4)	0.1	(2.9)

(Note1) The embedded value figures in the table above present the full embedded value of Medicare Life as an independent entity. In contrast, the embedded value of Medicare Life used in calculating the embedded value of the Group is a fraction of the full embedded value of Medicare Life that is proportional to Sumitomo Life's equity stake in Medicare Life (90.9% as of March 31, 2014 and 100% as of September 30, 2014).

(Note2) Figures do not include net unrealized gains (losses) on available-for-sale securities.

(Note3) The value of new business figures in the table above present the full value of new business of Medicare Life as an independent entity. In contrast, the value of new business of Medicare Life used in calculating the value of new business of the Group is a fraction of the full value of new business of Medicare Life that is proportional to Sumitomo Life's equity stake in Medicare Life.

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Year ended March 31, 2014
Value of new business (a)	5.9	3.8	(2.0)	9.9
Present value of premium income (b) (Note)	39.1	33.4	(5.6)	72.2
New business Margin (a) ÷ (b)	15.2 %	11.6 %	▲3.6pt.	13.8 %

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

2. Statement of changes in EEV

a. Statement of changes in EEV of the Group

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2014	2,273.9	872.6	3,146.6
Adjustments to the values as of March 31, 2014 (Note)	(0.8)	3.5	2.6
Adjusted values as of March 31, 2014	2,273.1	876.2	3,149.3
Value of new business	–	74.4	74.4
Expected existing business contribution (at the risk-free rate)	0.4	7.9	8.3
Expected existing business contribution (in excess of risk-free rate)	14.1	116.5	130.7
Expected transfer from VIF to adjusted net worth in-force at beginning of year	41.0	(41.0)	–
new business	104.0	(104.0)	–
Non-economic experience variances	(62.9)	62.9	–
Non-economic assumptions changes	(39.6)	10.8	(28.8)
Economic variances	–	(8.3)	(8.3)
	375.3	(333.9)	41.4
Values as of September 30, 2014	2,664.5	702.5	3,367.1

(Note) An adjustment is made in relation to an acquisition of 100% ownership of Medicare Life by Sumitomo Life during the six months ended September 30, 2014.

b. Statement of changes in EEV by Company

(1) Sumitomo Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2014	2,282.4	837.3	3,119.8
Adjustments to the values as of March 31,2014	-	-	-
Adjusted values as of March 31, 2014	2,282.4	837.3	3,119.8
Value of new business	-	70.5	70.5
Expected existing business contribution (at the risk-free rate)	0.4	7.6	8.1
Expected existing business contribution (in excess of risk-free rate)	13.9	115.9	129.8
Expected transfer from VIF to adjusted net worth in-force at beginning of year	44.3	(44.3)	-
new business	103.7	(103.7)	-
Non-economic experience variances	(59.4)	59.4	-
Non-economic assumptions changes	(39.7)	10.7	(29.0)
Economic variances	-	(7.6)	(7.6)
	373.3	(331.0)	42.3
Values as of September 30, 2014	2,674.8	659.3	3,334.1

(2) Medicare Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2014	45.6	38.8	84.5
Adjustments to the values as of March 31,2014	-	-	-
Adjusted values as of March 31, 2014	45.6	38.8	84.5
Value of new business	-	3.8	3.8
Expected existing business contribution (at the risk-free rate)	0.0	0.2	0.2
Expected existing business contribution (in excess of risk-free rate)	0.2	0.5	0.8
Expected transfer from VIF to adjusted net worth in-force at beginning of year	(3.2)	3.2	-
new business	0.2	(0.2)	-
Non-economic experience variances	(3.5)	3.5	-
Non-economic assumptions changes	0.1	0.0	0.1
Economic variances	-	(0.7)	(0.7)
	2.0	(2.9)	(0.9)
Values as of September 30, 2014	44.7	43.2	87.9

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV of the Group

(billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2014	3,367.1	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	3,640.7	273.6
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,040.5	(326.5)
Sensitivity 3: 10% decline in equity and real estate values	3,233.8	(133.2)
Sensitivity 4: 10% decline in maintenance expenses	3,453.7	86.6
Sensitivity 5: 10% decline in surrender and lapse rates	3,516.4	149.3
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,574.5	207.3
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,363.6	(3.4)
Sensitivity 8: Setting required capital at statutory minimum level	3,401.2	34.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,361.2	(5.8)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,331.3	(35.7)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(666.8)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	513.4
Sensitivity 3: 10% decline in equity and real estate values	(128.3)

Sensitivity analysis of the Group's value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended September 30, 2014	74.4	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	88.5	14.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	58.5	(15.8)
Sensitivity 3: 10% decline in equity and real estate values	74.4	–
Sensitivity 4: 10% decline in maintenance expenses	76.8	2.4
Sensitivity 5: 10% decline in surrender and lapse rates	82.0	7.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	78.4	4.0
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	74.4	0.0
Sensitivity 8: Setting required capital at statutory minimum level	75.3	0.9
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	74.4	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	73.0	(1.3)

b. Sensitivity Analysis of EEV by Company

(1) Sumitomo Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2014	3,334.1	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	3,607.1	273.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,009.9	(324.1)
Sensitivity 3: 10% decline in equity and real estate values	3,200.8	(133.2)
Sensitivity 4: 10% decline in maintenance expenses	3,419.2	85.1
Sensitivity 5: 10% decline in surrender and lapse rates	3,483.6	149.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,538.4	204.3
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,330.6	(3.4)
Sensitivity 8: Setting required capital at statutory minimum level	3,368.0	33.9
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,328.2	(5.8)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,298.5	(35.5)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(660.0)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	508.3
Sensitivity 3: 10% decline in equity and real estate values	(128.3)

Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended September 30, 2014	70.5	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	84.3	13.7
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	55.1	(15.3)
Sensitivity 3: 10% decline in equity and real estate values	70.5	–
Sensitivity 4: 10% decline in maintenance expenses	72.7	2.2
Sensitivity 5: 10% decline in surrender and lapse rates	78.1	7.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	74.0	3.5
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	70.5	0.0
Sensitivity 8: Setting required capital at statutory minimum level	71.4	0.8
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	70.5	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	69.1	(1.3)

(2) Medicare Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2014	87.9	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	88.6	0.6
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	85.5	(2.4)
Sensitivity 3: 10% decline in equity and real estate values	87.9	—
Sensitivity 4: 10% decline in maintenance expenses	89.4	1.4
Sensitivity 5: 10% decline in surrender and lapse rates	87.7	(0.2)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	91.0	3.0
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	87.9	—
Sensitivity 8: Setting required capital at statutory minimum level	88.1	0.2
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	87.9	—
Sensitivity 10: 25% increase in implied volatilities of swaptions	87.7	(0.2)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(6.7)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	5.1
Sensitivity 3: 10% decline in equity and real estate values	—

Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended September 30, 2014	3.8	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4.2	0.3
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3.3	(0.5)
Sensitivity 3: 10% decline in equity and real estate values	3.8	—
Sensitivity 4: 10% decline in maintenance expenses	4.1	0.2
Sensitivity 5: 10% decline in surrender and lapse rates	3.8	(0.0)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	4.3	0.4
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3.8	—
Sensitivity 8: Setting required capital at statutory minimum level	3.9	0.0
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3.8	—
Sensitivity 10: 25% increase in implied volatilities of swaptions	3.8	(0.0)

4. Note

The calculation of EEV requires numerous assumptions regarding future projections that are subject to risks and uncertainties. Future results may differ from those assumptions used in the calculation of EEV.

Appendix: Principal EEV Assumptions

1. Economic assumptions

a. Risk-free rate

In the certainty equivalent calculation and the interest rate model calibration, Japanese Government Bonds (JGBs) are used as a proxy for risk-free rates.

Given the poor liquidity of ultra-long JGBs, we have extrapolated risk-free rates for terms greater than 30 years with reference to the shape of the Japanese swap rates as the observable market rates.

The table below shows, for selected terms, the risk-free rates (spot rates) which are used in the calculations.

Term	March 31, 2014	September 30, 2014
1 year	0.058%	0.065%
2 years	0.072%	0.078%
3 years	0.112%	0.093%
4 years	0.150%	0.122%
5 years	0.174%	0.167%
10 years	0.641%	0.529%
15 years	1.129%	1.001%
20 years	1.679%	1.441%
25 years	1.811%	1.678%
30 years	1.849%	1.749%
35 years	1.903%	1.808%
40 years	1.980%	1.869%
45 years	2.054%	1.923%
50 years	2.112%	1.966%

(Source: Bloomberg (interpolated/extrapolated)(as of March 31, 2014),
 Ministry of Finance Japan and Bloomberg (interpolated/extrapolated)
 (as of September 30, 2014))

b. Principal dynamic assumption

(1) Interest rate model

As an interest rate model, Sumitomo Life has adopted a single-factor Hull-White model, in which interest rates associated with Japanese yen, U.S. dollars, Euros and British pounds are calculated. The model has been adjusted to be in line with a risk-neutral approach in which Japanese yen is set as a base currency, and correlations between the interest rates have also been taken into account. The interest rate model has been calibrated to be consistent with the market environment as of each reporting date, and parameters used are estimated from the yield curve and implied volatilities of interest rate swaptions with various maturities. 5,000 scenarios are used in calculating the time value of financial options and guarantees through the stochastic method.

A summary of implied volatilities of interest rate swaptions used to calibrate the scenarios is as follows:

Interest rate swaptions implied volatilities

		March 31, 2014				September 30, 2014			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	36.8%	23.6%	30.9%	23.2%	37.2%	26.5%	37.7%	26.6%
5 years	7 years	32.2%	22.4%	28.7%	21.8%	32.4%	25.3%	34.3%	25.3%
5 years	10 years	27.8%	21.0%	26.8%	20.4%	27.6%	24.1%	31.6%	23.7%
7 years	5 years	29.1%	21.4%	26.1%	20.5%	31.1%	24.3%	32.1%	24.4%
7 years	7 years	26.7%	20.7%	25.2%	19.9%	27.6%	23.6%	30.5%	23.6%
7 years	10 years	24.6%	19.8%	24.7%	19.2%	24.4%	22.8%	29.0%	22.6%
10 years	5 years	23.9%	19.2%	23.4%	18.6%	24.0%	21.9%	29.1%	22.1%
10 years	7 years	22.9%	18.8%	23.4%	18.3%	22.8%	21.4%	28.6%	21.6%
10 years	10 years	22.5%	18.3%	23.7%	17.8%	22.2%	20.6%	28.1%	21.1%

(Source: Bloomberg)

(2) Implied volatilities of equities and currencies

Volatilities of major equity indices and currencies are calibrated based on implied volatilities of options traded in the market. Implied volatilities used to calibrate the scenarios are as follows:

Stock options

Currency	Underlying Asset	Option Term	Volatility	
			March 31, 2014	September 30, 2014
JPY	Nikkei225	3 years	20.7%	20.5%
		4 years	20.6%	20.6%
		5 years	20.6%	20.8%
USD	S&P 500	3 years	17.2%	18.9%
		4 years	18.1%	19.9%
		5 years	19.1%	20.8%
EUR	Euro Stoxx50	3 years	18.4%	19.5%
		4 years	18.6%	19.9%
		5 years	18.8%	20.1%
GBP	FTSE 100	3 years	15.8%	16.6%
		4 years	16.6%	17.3%
		5 years	17.4%	17.9%

(Source: Markit (interpolated/extrapolated))

Currency options

Currency	Option Term	Volatility	
		March 31, 2014	September 30, 2014
USD	5 years	13.4%	12.0%
EUR	5 years	15.7%	13.3%
GBP	5 years	14.5%	12.7%

(Source: Bloomberg)

(3) Correlations

In addition to the implied volatilities described above, each company has calculated implied volatilities reflecting its asset portfolio and correlation factors. The share of each asset is assumed to be unchanged over the projection periods.

With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, Sumitomo Life estimated correlation factors based on historical market data. Specifically, the monthly data from September 30, 2004 to September 30, 2014 have been used. The following table shows correlation factors between major variables.

	1year Rate /JPY	1year Rate /USD	1year Rate /EUR	1year Rate /GBP	USD/JPY	EUR/JPY	GBP/JPY	NIKKEI 225	S&P 500	Euro Stoxx50	FTSE 100
1year Rate /JPY	1.00	0.52	0.48	0.48	0.31	0.23	0.32	0.35	0.22	0.23	0.22
1year Rate /USD	0.52	1.00	0.70	0.72	0.52	0.32	0.48	0.40	0.30	0.33	0.29
1year Rate /EUR	0.48	0.70	1.00	0.74	0.36	0.48	0.48	0.36	0.39	0.40	0.35
1year Rate /GBP	0.48	0.72	0.74	1.00	0.38	0.29	0.47	0.31	0.26	0.23	0.20
USD/JPY	0.31	0.52	0.36	0.38	1.00	0.60	0.71	0.58	0.22	0.28	0.21
EUR/JPY	0.23	0.32	0.48	0.29	0.60	1.00	0.79	0.69	0.58	0.54	0.50
GBP/JPY	0.32	0.48	0.48	0.47	0.71	0.79	1.00	0.67	0.46	0.44	0.31
NIKKEI 225	0.35	0.40	0.36	0.31	0.58	0.69	0.67	1.00	0.70	0.69	0.67
S&P 500	0.22	0.30	0.39	0.26	0.22	0.58	0.46	0.70	1.00	0.86	0.86
Euro Stoxx50	0.23	0.33	0.40	0.23	0.28	0.54	0.44	0.69	0.86	1.00	0.88
FTSE 100	0.22	0.29	0.35	0.20	0.21	0.50	0.31	0.67	0.86	0.88	1.00

(Source: Ministry of Finance Japan (1year Rate/JPY) and Bloomberg (the others))

c. Assumed investment yield used for the calculation of expected returns

Assumed investment yields on major asset categories used for the calculation of “Expected existing business contribution” in “2. Statement of changes in EEV” are as follows. The Weighted-average assumed investment yield (annual rate) for Sumitomo Life is 1.8% and, for Medicare Life, is 1.2%.

	Assumed investment yield
Fixed income assets	1.2%
Foreign bonds	3.1%
Stocks	6.1%

2. Non-economic assumptions

All cash flows (premiums, operating expenses, benefits and claims, cash surrender value, tax, etc.) are projected applying the best estimate assumptions, by product, referring to past, current and expected future experience.

a. Operating expenses

Operating expenses are set based on the experience of each company. The look-through basis is applied in terms of operating expenses of insurance business.

For Medicare Life, operating expenses are assumed to decrease for a certain period of time, because it has operated for only a short period of time and the improvement of operating efficiency is expected in the future. Therefore, the assumption for operating expenses incorporates recent developments, and decrease of unit-cost (by approximately 6% per annum on average) until the fiscal year ending March 31, 2020 is assumed.

Future inflation rates are assumed to be zero.

Increases in consumption tax in future years are assumed due to revision of the consumption tax system.

b. Policyholder dividends

(1) Sumitomo Life

Policyholder dividend rates are based on the current dividend policy, and set according to market-consistent, risk-neutral scenarios.

(2) Medicare Life

No assumption of policyholder dividend rate is set, as it sells only non-participating policies.

c. Effective tax rates

Effective tax rates are set based on the most recent effective tax rate.

Sumitomo Life: 30.73%

Medicare Life: 30.78%